

**TOTAL REVENUE**

Total revenue for FY2023 is projected to be \$197,163,056, an increase of \$9,503,949 or 5.06%. Of this increase, \$183,293,902 is from revenue dedicated to support the General Fund and \$13,869,154 is from debt exclusion overrides to support borrowing for capital projects, including Arlington High School, elementary schools, and the Minuteman Regional Vocational Technical High School. The General Fund increase is \$6,002,297 or 3.39%

The property tax levy is projected to increase, without debt exclusion revenue or MWRA debt, by \$2,204,178 or 1.66%. This includes the normal 2.5% increase plus \$700,000 in new growth. Total tax revenues, including the debt exclusions, increase by \$5,752,057 or 4.02%

Local receipts are projected to increase by \$352,550 or 3.79% as they rebound in part from the COVID pandemic shortfalls.

State Aid estimates are made up of Cherry Sheet Aid, the annually recurring aid for education, general government, and other categories (see State Aid description on page 41). In past years the Town also received School Construction Aid, State reimbursements to the Town for borrowing costs the Town incurred for state eligible school building projects, but the last payment occurred in FY2021. Total State Aid is projected to decrease \$1,394,038, or 5.92% and is based on the Governor's budget. Arlington will receive a \$1,152,257 (7.8%) increase in Chapter 70 Aid and a \$225,126 (2.7%) increase in General Government Aid.

For the first time, the Town will use \$5,000,000 from the American Recovery Plan Act (ARPA) as replacement for Town revenue lost because of the COVID-19 pandemic. This source will recur once more in FY2024 and will not repeat.

A total of \$5,539,215 in Free Cash is proposed to be used, which is an decrease of \$119,969 from FY2022 and, consistent with Town financial policies, an amount equal to 50% of the Free Cash balance certified by the Department of Revenue for the close of the previous fiscal, June 30, 2021.

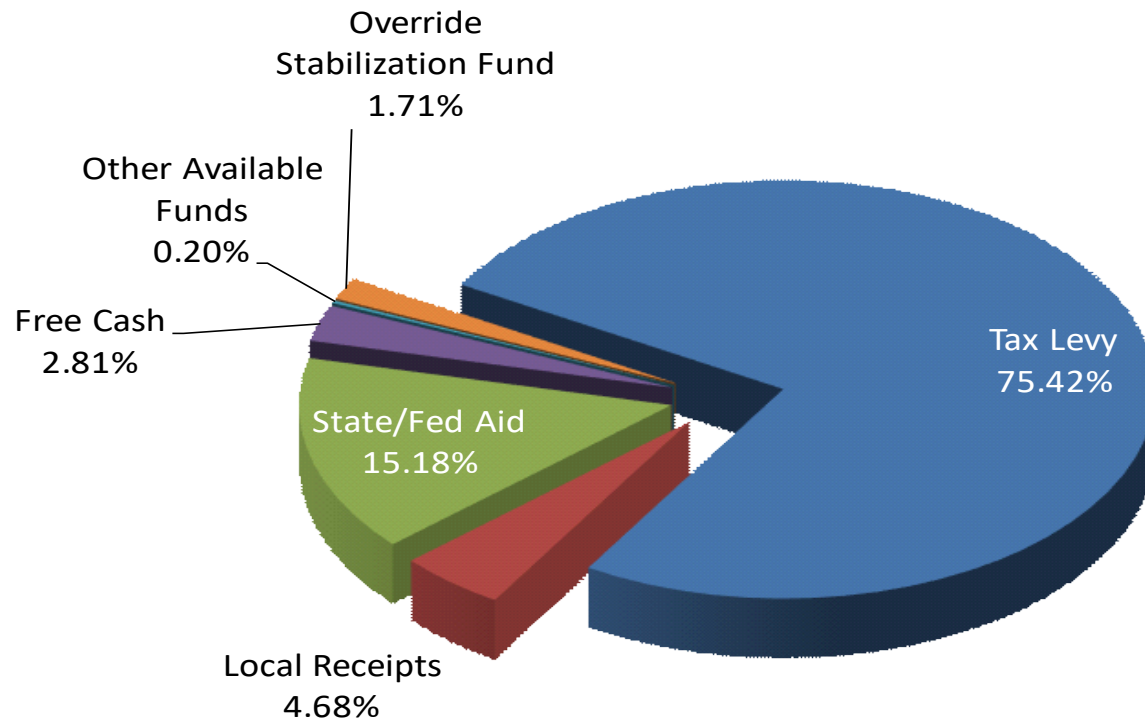
Other Available Funds include \$400,000 in surplus tax abatement overlay funds, the same amount as the Assessors released in FY22.

It will be necessary to use \$3,373,854 from the Override Stabilization Fund this year.

REVENUE SOURCE	FY2020 Actual	FY2021 Actual	FY2022 Budget	FY2023 Budget	Budget Change
Tax Levy	133,350,155	137,156,573	142,948,226	148,700,283	5,752,057
Local Receipts	11,231,688	9,708,615	8,873,350	9,225,900	352,550
State/Federal Aid	22,957,710	23,539,328	23,529,766	29,923,804	6,394,038
Free Cash	5,559,782	5,901,388	5,659,184	5,539,215	(119,969)
Other Available Funds	200,000	400,000	400,000	400,000	-
Override Stabilization Fund	0	2,024,197	6,248,581	3,373,854	(2,874,727)
Total	173,299,335	178,730,101	187,659,107	197,163,056	9,503,949



Revenues \$197,163,056





Total General Fund Revenues

	<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Actual</u>	<u>FY19</u> <u>Actual</u>	<u>FY20</u> <u>Actual</u>	<u>FY21</u> <u>Actual</u>	<u>FY22</u> <u>Budget</u>	<u>FY23</u> <u>Budget</u>
Tax Levy*	96,144,398	99,691,909	103,384,789	106,846,726	111,126,263	112,983,032	122,322,210	125,244,001	130,596,343	134,851,849
Local Receipts	10,296,545	10,115,304	11,071,191	10,689,873	12,004,047	12,004,047	11,231,688	9,708,615	8,873,350	9,225,900
State Aid**	17,093,258	17,462,884	18,230,105	18,918,527	19,375,164	20,039,795	22,481,187	23,539,328	23,532,421	29,923,804
Free Cash	3,411,528	3,042,925	3,435,846	4,537,299	4,850,566	4,593,375	5,559,782	5,901,388	5,659,184	5,539,215
Other Available Funds	200,000	350,000	350,000	200,000	500,000	200,000	200,000	400,000	400,000	400,000
Override Stabilization Fund	0	0	0	0	0	2,786,331	0	2,024,197	6,248,581	3,373,854
Total	127,145,729	130,663,022	136,471,931	141,192,425	147,856,040	152,606,580	161,794,867	166,817,529	175,309,879	183,314,622

*Excludes MWRA Debt Shift

**Excludes MSBA Reimbursements

Annual Revenue Increases

	<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Actual</u>	<u>FY19</u> <u>Actual</u>	<u>FY20</u> <u>Actual</u>	<u>FY21</u> <u>Actual</u>	<u>FY22</u> <u>Budget</u>	<u>FY23</u> <u>Budget</u>
Tax Levy	3,728,129	3,547,511	3,692,880	3,461,937	4,279,537	1,856,769	9,339,178	2,921,791	5,352,342	4,255,506
Local Receipts	409,663	(181,241)	955,887	(381,318)	1,314,174	0	(772,359)	(1,523,073)	(835,265)	352,550
State Aid	2,053,207	369,626	767,221	688,422	456,637	664,631	2,441,392	1,058,141	(6,907)	6,391,383
Free Cash	1,841,528	(368,604)	392,922	1,101,453	313,267	(257,191)	966,407	341,606	(242,204)	(119,969)
Other Available Funds	0	150,000	0	(150,000)	300,000	(300,000)	0	200,000	0	0
Override Stabilization Fund						2,786,331	(2,786,331)	2,024,197	4,224,384	(2,874,727)
Total	8,032,527	3,517,293	5,808,909	4,720,494	6,663,615	4,750,540	9,188,287	5,022,662	8,492,350	8,004,743
Percent Increase	6.7%	2.8%	4.4%	3.5%	4.7%	3.2%	6.0%	3.1%	5.1%	4.6%

Percent of Total Revenue

	<u>FY14</u> <u>Actual</u>	<u>FY15</u> <u>Actual</u>	<u>FY16</u> <u>Actual</u>	<u>FY17</u> <u>Actual</u>	<u>FY18</u> <u>Actual</u>	<u>FY19</u> <u>Actual</u>	<u>FY20</u> <u>Actual</u>	<u>FY21</u> <u>Actual</u>	<u>FY22</u> <u>Budget</u>	<u>FY23</u> <u>Budget</u>
Tax Levy	75.6%	76.3%	75.8%	75.7%	75.2%	74.0%	75.6%	75.1%	74.5%	73.6%
Local Receipts	8.1%	7.7%	8.1%	7.6%	8.1%	7.9%	6.9%	5.8%	5.1%	5.0%
State Aid	13.4%	13.4%	13.4%	13.4%	13.1%	13.1%	13.9%	14.1%	13.4%	16.3%
Free Cash	2.7%	2.3%	2.5%	3.2%	3.3%	3.0%	3.4%	3.5%	3.2%	3.0%
Other Available Funds	0.2%	0.3%	0.3%	0.1%	0.3%	0.1%	0.1%	0.2%	0.2%	0.2%
Override Stabilization Fund	0.0%	0.0%	0.0%	0.0%	0.0%	1.8%	0.0%	1.2%	3.6%	1.8%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

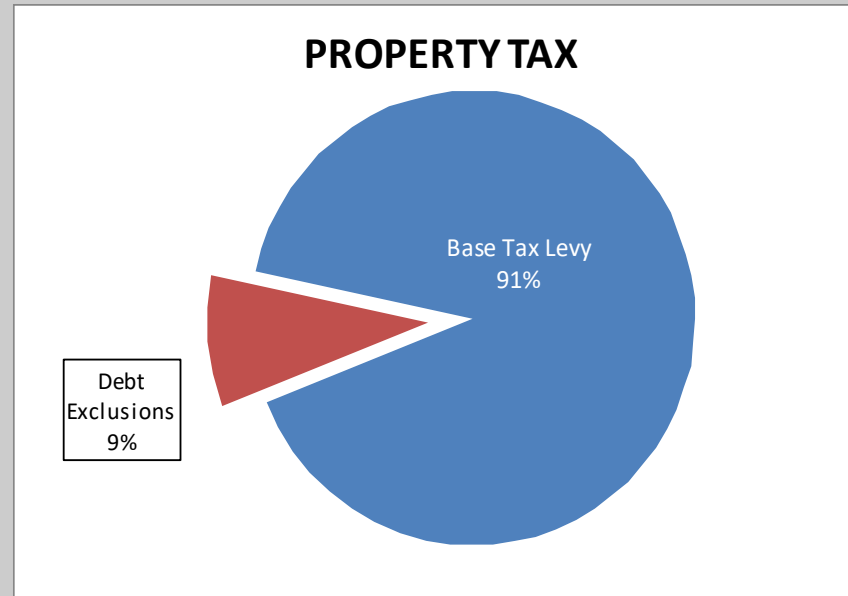
**PROPERTY TAX LEVY**

Property tax is the primary source of revenue for virtually every Massachusetts municipality. In Arlington, property taxes represent approximately 76% of annual operating revenues. Property taxes are levied on real property (land and buildings) and personal property (equipment) used by Arlington's non-manufacturing businesses. State law mandates that communities update their property values every five years and obtain State certification that such values represent full and fair cash value. A revaluation was conducted in FY2019. Under the Provisions of Proposition 2½, property taxes, in the aggregate, may not exceed 2½% of their "full and fair cash value". This limit is known as the "levy ceiling". Annual levy increases may not exceed 2½% of the previous year's levy plus the taxes from any new or renovated property added to the tax rolls (known as new growth). Any Proposition 2½ override or debt exclusion amounts approved by voters are added to the levy limit, while all related school construction reimbursements from the State are subtracted.

Property values and new growth for FY2022 are preliminary estimates used to project the levy limit. The FY2022 levy limit was \$130,879,853. The 2½% increase allowed for FY2022 is \$3,271,996. New growth from construction not previously on the tax rolls is expected to add \$700,000 to the levy. An additional \$13,848,434 is added to the tax levy to cover the cost of debt service for projects approved by the voters as Proposition 2½ debt exclusion overrides. This budget is the third major tranche of debt repayment for the new Arlington High School. Beginning in FY2012, debt service for the Symmes Urban Renewal project was added to the tax levy. FY2022 marked the ninth year that tax revenues from the Symmes project will completely offset the cost of debt service. As a result Symmes debt will no longer be added to the tax levy.

The Town had accepted the provisions of M.G.L. 59 § 21C, whereby water and sewer debt costs, including MWRA debt assessments, are transferred to the real estate taxes. The Select Board voted to eliminate the MWRA debt shift over three years, and it is no longer included in the tax base. The FY2023 tax levy totals \$148,700,283, representing an increase of \$5,697,911 (3.98%) over the FY2022 budgeted levy.

PROPERTY TAX LEVY	FY 2020 Budget	FY 2021 Budget	FY 2022 Budget	FY 2023 Budget	Budget Change
Base Tax Levy	117,355,373	126,776,920	130,879,853	134,851,849	3,971,996
General Override	5,500,000				-
Debt Exclusion Overrides					-
Arlington High School	48,794	2,853,981	5,237,412	8,777,070	3,539,658
Dallin School	233,284	224,659	200,329	193,082	(7,247)
Gibbs School	2,081,975	2,023,225	1,959,600	1,901,100	(58,500)
Hardy School	88,435	73,080	-	-	-
Minuteman High School	1,112,690	1,279,014	1,610,964	1,739,452	128,488
Peirce School	(3,664)	(8,608)	-	-	-
Stratton School	550,875	534,375	522,975	511,575	(11,400)
Thompson School	815,450	791,675	745,512	726,155	(19,357)
Sub-total Debt Exclusions	4,927,839	7,771,401	10,276,792	13,848,434	3,571,642
Water and Sewer Debt	5,593,112	3,691,454	1,845,727	-	(1,845,727)
Total	133,376,324	138,239,775	143,002,372	148,700,283	5,697,911

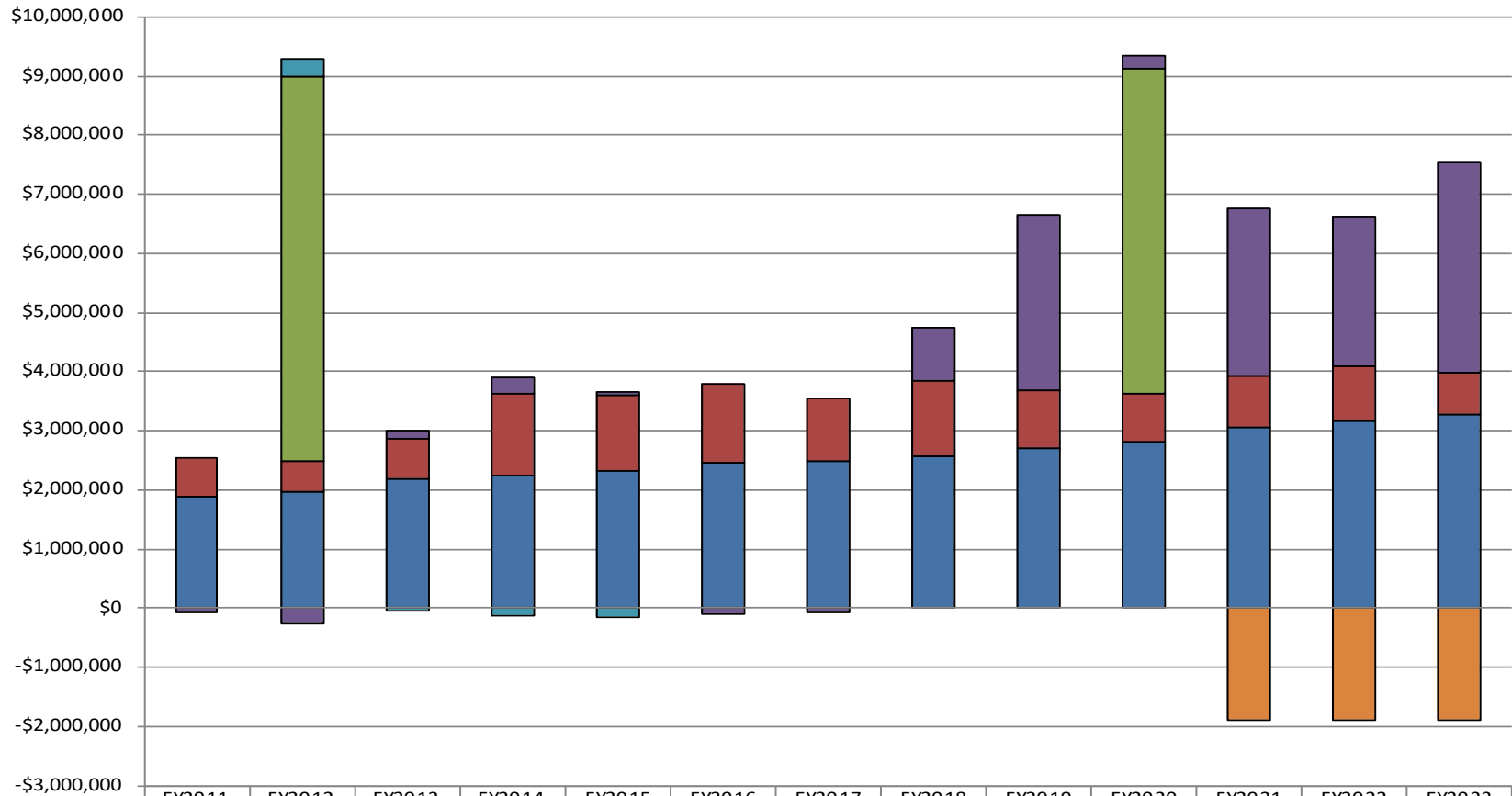


Fiscal Year	Real Estate & Personal Property Commitments	Abatements Granted	Tax deferral Abatements (Ch 41A)	Net Tax Levy	Net Collections	% of Collections	Amount transferred into tax title	Tax Title Balance as of June 30th	Tax Possession Balance as of June 30th	Tax Deferral Balance as of June 30th
2021	138,199,500.00	336,908.00	123,854.88	137,266,223.00	137,156,573.00	99.92%	0.00	563,812.00	396,754.00	503,970.45
2020	133,305,155.00	431,175.26	135,687.70	132,738,292.04	133,003,248.00	100.20%	0.00	532,795.00	396,754.00	420,768.85
2019	125,795,227.91	561,391.19	78,626.32	125,155,210.40	123,961,447.41	99.05%	0.00	584,098.85	396,754.00	282,012.84
2018	117,255,201.00	316,252.00	56,925.09	116,098,972.00	117,222,582.00	100.97%	311,784.29	764,812.00	396,784.00	355,494.92
2017	114,042,281.23	316,252.00	69,741.70	113,656,287.53	113,137,357.89	99.54%	0.00	545,964.37	396,784.20	288,509.98
2016	110,511,438.41	344,808.64	50,555.38	110,116,074.39	109,675,315.38	99.60%	432,204.96	1,016,093.83	396,784.20	251,686.77
2015	105,512,757.86	343,828.94	50,661.96	105,118,266.96	104,637,861.18	99.54%	478,131.08	990,780.09	396,784.20	350,426.94
2014	101,955,275.34	323,139.16	57,609.97	101,574,526.21	101,147,224.95	99.58%	420,461.22	1,046,173.13	396,784.20	350,014.89
2013	98,200,712.05	391,307.70	55,314.74	97,754,089.61	97,319,166.14	99.56%	435,398.24	946,663.94	396,784.20	293,094.22
2012	95,185,766.56	427,191.48	47,748.92	94,710,826.16	94,287,096.98	99.56%	423,729.18	858,108.74	396,784.20	307,667.70
2011	86,093,152.50	465,825.69	51,677.04	85,575,649.77	84,199,193.25	99.56%	375,360.09	650,009.11	396,784.20	303,386.69

It is Town policy to close out all real estate and personal property commitments in the same fiscal year, except in 2017 and 2019, when such close outs were delayed one year because of the Town's conversion to new tax collection software.



COMPONENTS OF TAX LEVY INCREASE



	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
MWRA Debt	-	-	-	-	-	-	-	-	-	-	-1,901,658	-1,901,658	-1,901,658
Symmes Debt Exclusion	-	307,130	(28,590)	(128,721)	(150,000)	-	-	-	-	-	-	-	-
Debt Exclusions	(79,675)	(263,714)	157,960	255,465	62,328	(92,013)	(61,801)	895,287	2,972,113	211,842	2,843,562	2,529,154	3,571,642
General Override	-	6,490,000	-	-	-	-	-	-	-	5,500,000	-	-	-
New Growth	656,751	522,167	657,203	1,393,953	1,255,293	1,337,666	1,070,144	1,263,812	981,206	816,617	850,163	933,510	700,000
2.5% Increase	1,897,682	1,963,980	2,198,195	2,240,858	2,337,986	2,455,742	2,477,526	2,573,287	2,706,470	2,815,970	3,071,384	3,169,423	3,271,996

**LOCAL RECEIPTS SUMMARY**

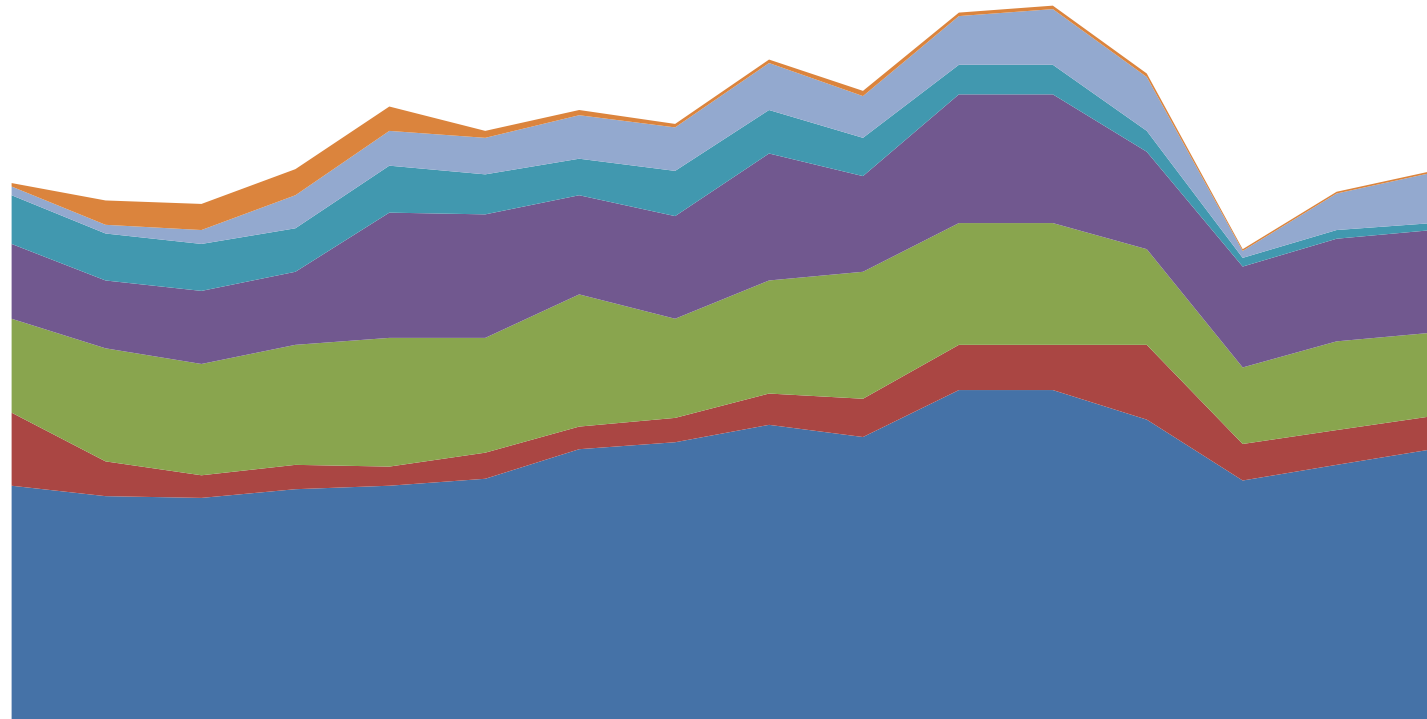
Local receipts for FY2023 are adjusted to project increases after being dropped significantly in FY2021 to reflect the effects of the COVID-19 pandemic. Motor Vehicle Excise tax revenue will increase by \$252,550. The budgeted estimate for Interest Income is lower by \$41,000 to reflect the low interest environment and actual current earnings. Department Fees are projected to increase by \$100,000, because of renewed parking enforcement. Hotel/ Motel, Meals, and Marijuana Taxes are expected to rebound by \$41,000.

Rental Income declined in FY2021, because the Town no longer rents its Ryder St. property and instead use is as space for the Department of Public Works to use as temporary transition space during renovation of the Public Works yard. In FY2022, the Town stopped renting the Mt. Gilboa property as a residential home and is studying options for future use of the building.

LOCAL RECEIPTS SUMMARY	FY2020 Actual	FY2021 Budget	FY2022 Budget	FY2023 Budget	Budget Change
Motor Vehicle Excise	5,049,196	4,262,308	4,293,350	4,545,900	252,550
Interest Income	1,215,656	857,488	596,000	555,000	(41,000)
Departmental Fees	1,593,410	1,702,874	1,314,000	1,414,000	100,000
Licenses and Permits	1,645,158	1,666,268	1,705,000	1,705,000	-
Rentals	337,319	131,175	118,000	118,000	-
Meals, Hotel, and Marijuana Taxes	910,203	692,463	819,000	860,000	41,000
Other	48,242	86,203	28,000	28,000	-
Total	10,799,184	9,398,779	8,873,350	9,225,900	352,550



Local Receipts History



	Actual FY08	Actual FY09	Actual FY10	Actual FY11	Actual FY12	Actual FY13	Actual FY14	Actual FY 15	Actual FY16	Actual FY17	Actual FY18	Actual FY19	Actual FY20	Actual FY21	Budget FY22	Budget FY23
Other	80,565	402,434	418,122	441,326	419,593	112,481	96,770	56,340	51,145	76,915	54,665	46,933	48,242	33,000	33,000	28,000
Meals and Hotel Taxes	123,522	136,490	246,210	532,896	569,131	610,223	714,039	732,609	772,433	719,112	822,944	947,184	910,203	110,501	625,000	860,000
Rentals	818,608	783,600	791,045	733,270	783,145	665,264	638,805	744,597	749,188	627,569	476,310	476,310	337,319	142,000	142,000	118,000
Licenses and Permits	1,247,073	1,134,294	1,202,871	1,219,481	2,085,368	2,064,257	1,640,443	1,719,403	2,124,973	1,597,015	2,164,229	2,164,229	1,645,158	1,705,000	1,705,000	1,705,000
Fees/Departmental	1,586,298	1,900,729	1,867,994	2,018,958	2,177,505	1,932,652	2,213,701	1,664,004	1,889,552	2,131,664	2,031,168	2,031,168	1,593,410	1,279,000	1,479,000	1,414,000
Interest Income	1,216,410	582,123	369,782	394,264	319,642	435,812	381,062	420,678	531,019	624,788	757,355	757,355	1,253,291	596,000	596,000	555,000
Motor Vehicle Excise	3,951,802	3,775,638	3,757,149	3,898,459	3,937,079	4,066,200	4,560,609	4,668,135	4,952,880	4,775,678	5,551,687	5,551,687	5,049,196	4,040,800	4,293,350	4,545,900

**MOTOR VEHICLE EXCISE**

Motor vehicle excise tax receipts are projected to rise by \$31,042 after dropping in FY2021 and rebounding somewhat in FY2022. Although long-term term trends show previous annual increases, the COVID-19 pandemic changed that, as fewer people bought or leased new cars. Excise tax commitments have been increasing year since 2012, exceeding the low in 2009. The excise rate is \$25 per thousand and is assessed on 90% of the vehicle's value in the first year, 60% in the second year, 40% in the third year, 25% in the fourth year, and 10% thereafter. The actual billings are prepared by the Registry of Motor Vehicles and then turned over to the Town for printing, distribution, and collection. There are approximately 38,000 registered vehicles in Arlington. In the chart below, Levy Year 2021 is as of June 30, 2021.

Motor Vehicle Excise Collection By Fiscal Year

<u>Levy Year</u>	<u>Commitments</u>	<u>Collections</u>	<u>Refunds</u>	<u>Net Collections</u>	<u>Abatements</u>	<u>Balance (Uncoll.)</u>	<u>Collection %</u>
2021	\$ 4,241,897.70	\$ 4,539,211.36	\$ 68,422.11	\$ 4,470,789.25	\$ 104,890.97	\$ (333,782.52)	107.87%
2020	\$ 5,251,165.00	\$ 5,264,953.75	\$ 100,625.31	\$ 5,164,328.44	\$ 158,614.32	\$ (71,777.76)	101.37%
2019	\$ 5,468,145.35	\$ 5,333,179.75	\$ 88,693.84	\$ 5,244,485.91	\$ 159,831.70	\$ 63,827.74	98.83%
2018	\$ 5,843,844.70	\$ 5,655,881.52	\$ 103,697.40	\$ 5,552,184.12	\$ 188,660.91	\$ 102,999.67	98.24%
2017	\$ 4,838,049.36	\$ 4,865,068.94	\$ 90,286.47	\$ 4,774,782.47	\$ 158,912.85	\$ (95,645.96)	101.98%
2016	\$ 5,165,749.14	\$ 5,038,846.19	\$ 85,965.27	\$ 4,952,880.92	\$ 169,326.92	\$ 43,541.30	99.16%
2015	\$ 4,867,711.40	\$ 4,768,890.38	\$ 100,755.76	\$ 4,668,134.62	\$ 521,918.86	\$ (322,342.08)	106.62%
2014	\$ 4,213,165.12	\$ 4,636,918.89	\$ 76,292.47	\$ 4,560,626.42	\$ 134,742.51	\$ (482,203.81)	111.45%
2013	\$ 4,342,665.00	\$ 4,145,705.00	\$ 80,917.00	\$ 4,064,788.00	\$ 129,537.00	\$ 148,340.00	96.58%
2012	\$ 4,077,138.00	\$ 4,021,599.00	\$ 54,950.00	\$ 3,966,649.00	\$ 71,047.00	\$ 39,442.00	99.03%

MOTOR VEHICLE EXCISE	FY2020 Actual	FY2021 Actual	FY2022 Budget	FY2023 Budget	Budget Change
Motor Vehicle Excise	5,049,196	4,262,308	4,293,350	4,545,900	31,042

**DEPARTMENTAL FEES**

Departmental fees are projected to increase by \$100,000 because of renewed parking enforcement in FY2022.

The establishment of a Parking Benefits District at Town Meeting for Arlington Center means that parking meter revenue, which had been reported under Departmental Fees, has been moved to the Parking Fund and the estimate for parking violations.

In 2019, the Library Trustees implemented a new no late fines policy.

DEPARTMENTAL FEES	FY2020 Actual	FY2021 Actual	FY2022 Budget	FY2023 Budget	Budget Change
Schools (Medicare Reimbursement)	246,721	419,625	100,000	100,000	-
Cemetery Revenue	261,025	230,550	250,000	250,000	-
Library Fees and (Fines, discontinued in 2019)	10,176	3,352	-	-	-
Town Clerk Fees	60,621	70,489	40,000	40,000	-
Parking Violations	189,500	111,195	200,000	300,000	100,000
Fire Alarm Renewal Fee	8,500	4,500	5,000	5,000	-
Ambulance Fees	504,626	523,160	424,000	424,000	-
Other Departmental Revenue	230,512	282,407	225,000	225,000	-
Other Department Fees	81,730	57,595	70,000	70,000	-
Total	1,593,410	1,702,874	1,314,000	1,414,000	100,000

**INTEREST INCOME & PENALTIES**

Interest Income is projected to remain unchanged. It is made up of two components: investment income and interest and penalties associated with delinquent tax payments.

The Interest Income revenue estimate has been lowered by \$41,000, because interest rates generally are very low and because the Town's actual collections in FY2022 are also lower than expected. Investment income can vary widely depending upon market interest rates, available cash balances, cash flows, and investment practices. Investment income dropped from a high of more than \$1.4 million in FY2007 to \$55,430 in FY2011. This is due to dramatic fluctuations in interest rates. As interest rates continue to change, the Town will monitor interest income. In recent years, notwithstanding low interest rates, the Treasurer/Collector has maximized interest income through careful investments.

INTEREST INCOME	FY2020 Actual	FY2021 Actual	FY2022 Budget	FY2023 Budget	Budget Change
Investment Income	898,291	419,625	241,000	200,000	(41,000)
Penalties & Interest	317,365	437,864	355,000	355,000	-
Total	1,215,656	857,488	596,000	555,000	(41,000)

**LICENSES AND PERMITS**

Licenses and permits revenues for FY2023 are projected to remain stable. Building Permits generally generate the most permit revenue, but are also the most volatile, subject to fluctuation as the economy strengthens or weakens or as interest rates increase or decline. The FY2023 projection is consistent with long-term collections, excluding large, one-time permits.

Besides building permits, some of the other major categories of Licenses and Permits include parking permits and liquor licenses issued by the Select Board, and fire permit fees, which include fire alarm connection fees. All of these are expected to remain flat.

LICENSES AND PERMITS	FY2020 Actual	FY2021 Actual	FY2022 Budget	FY2023 Budget	Budget Change
Parking Permits	112,448	74,630	115,000	115,000	-
Liquor Licenses	74,900	30,425	80,000	80,000	-
Food Licenses	6,500	6,720	7,000	7,000	-
Food Permits	14,000	14,000	16,000	16,000	-
Tobacco Permits	8,500	11,000	11,000	11,000	-
Building Inspections	1,388,056	1,464,423	1,420,000	1,420,000	-
Fire Prevention Permits	38,113	60,390	50,000	50,000	-
Marriage Licenses	2,642	4,680	6,000	6,000	-
Total	1,645,158	1,666,268	1,705,000	1,705,000	0

**RENTAL INCOME**

The Town derives income from the renting of several Town-owned properties including the Parmenter School, the Mt. Gilboa house, and the former Dallin Library. The Town no longer rents out the former Park and Recreation Department buildings at Ryder Street.

Overall, revenue is projected to remain unchanged.

New leases, which went into effect in FY2015, include a capital contribution which will offset future capital improvements to the buildings. Projected revenue from other properties remains unchanged.

The Parmenter School building has one tenant, the Arlington Children's Center. The front section of the building was renovated to house the Menotomy Pre-School, which moved from the Arlington High School building, while the latter is under construction.

The Ryder Street property will be used by the Department of Public Works to house some of its vehicles and programs during the next two years while the DPW Grove St. buildings are under construction.

The Mt. Gilboa property is a residential house that had been rented to a tenant until early FY2021. It is now vacant and the Town is reevaluating its best use.

The Dallin Library is currently leased to the Arlington Community Media, Inc. (ACMi).

RENTAL INCOME	FY2020 Actual	FY2021 Actual	FY2022 Budget	FY2023 Budget	Budget Change
Ryder St.	170,570	-	-	-	-
Parmenter	87,633	72,059	73,000	73,000	-
Mt. Gilboa	34,000	14,000	-	-	-
Dallin Library	45,116	45,116	45,000	45,000	-
Total	337,319	131,175	118,000	118,000	0

**OTHER LOCAL RECEIPTS**

Other local receipts are projected to stay level in FY2023.

OTHER LOCAL RECEIPTS	FY2020 Actual	FY2021 Actual	FY2022 Budget	FY2023 Budget	Budget Change
Court Fines	16,879	7,932	10,000	10,000	-
Special Assessments	5,977	7,708	-	-	-
Payments In Lieu of Taxes	25,386	70,563	18,000	18,000	-
Total	48,242	86,203	28,000	28,000	0

**Hotel, Meals, and Marijuana Taxes**

In 2009, the Legislature gave the authority to Town Meeting to adopt optional increases to the meals and hotel taxes. At that time, only the State collected revenue from the meals tax of 5%. Cities and towns were allowed to add an additional 0.75%. The Town also collected a room occupancy tax on hotels of 4% at that time (there is only one hotel in Arlington). The State allowed cities and towns to increase the room occupancy tax by 1% to a total of 5%.

Estimates for the Hotel Tax will rise in FY2023, as that industry continues its comeback from the COVID-19 pandemic. Meals and Marijuana Tax revenues are projected to remain stable.

HOTEL, MEALS & MARIJUANA TAXES	FY2020 Actual	FY2021 Actual	FY2022 Budget	FY2023 Budget	Budget Change
Meals Tax	457,149	377,538	410,000	410,000	-
Hotel Tax	453,054	156,297	170,000	211,000	41,000
Marijuana Tax		158,627	239,000	239,000	-
Total	910,203	692,463	819,000	860,000	41,000

**STATE AID SUMMARY**

The State's FY2023 Governor's budget recommendation includes a statewide \$436 million increase in Chapter 70 School Aid and a \$31.5 million increase in General Government Aid. As a result Arlington will benefit from a \$1,152,257 increase in Chapter 70 School Aid and a \$225,126 increase in Unrestricted General Government Aid (UGGA).

Total General Government Aid — Unrestricted General Government Aid and Veterans' Benefits reimbursements — will increase \$208,995 or 2.5%.

School Aid — Chapter 70 School Aid plus Charter School tuition reimbursement and exclusive of school construction aid — is projected to increase \$1,176,152 or 7.9%.

Overall FY2022 State Aid, as used to balance the Town Meeting budget, will decrease \$1,391,383 to a total of \$24,923,804.

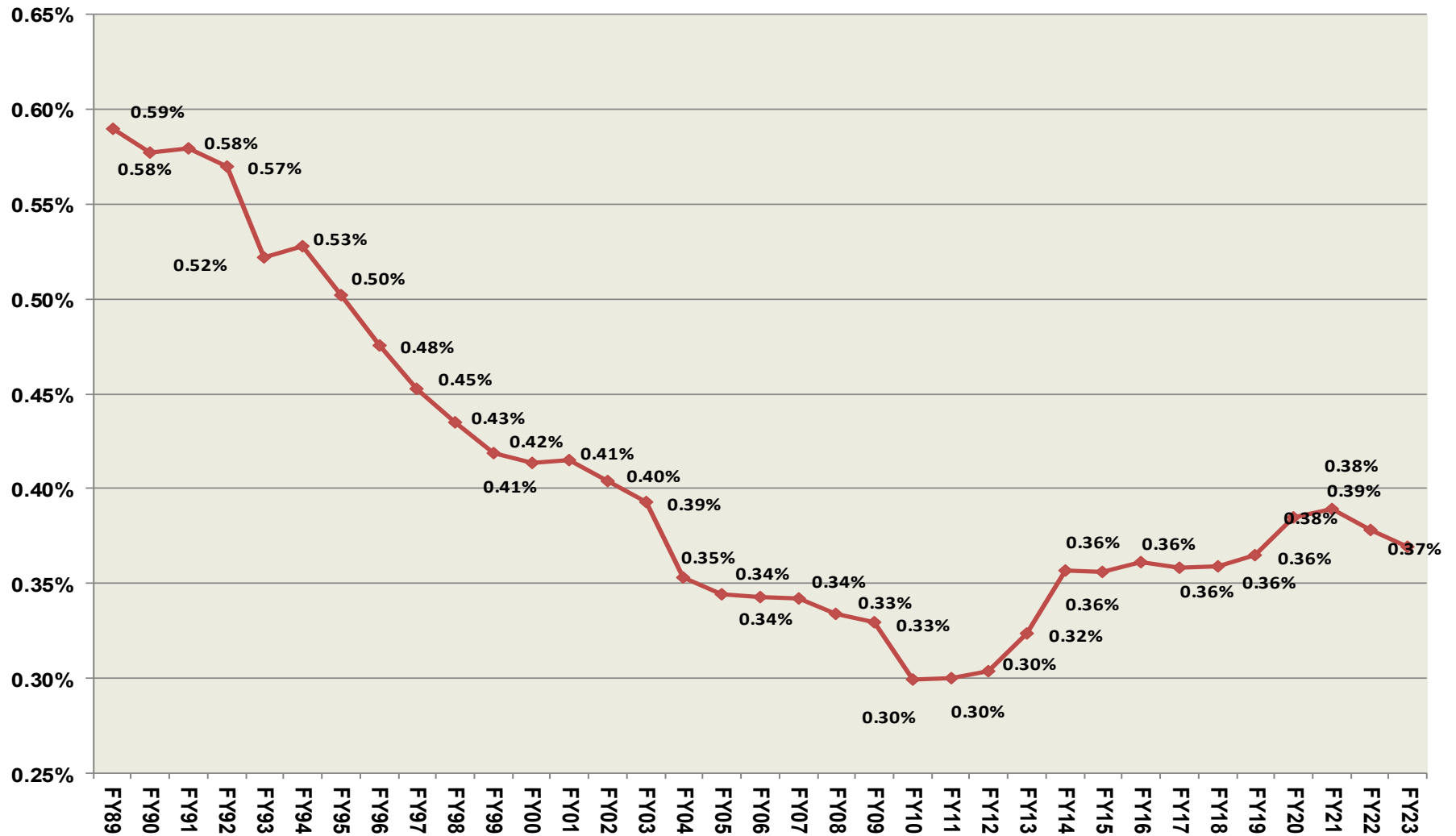
Since 1989 and the cuts to local aid across the state, Arlington has seen its share of total state aid cut by approximately 37%, from .59% to .38% (see chart on p. 41). Other, poorer communities have seen greater increases in state aid, because state aid formulas allocate more aid to low income and low wealth communities.

However, in the past decade, and in particular in the past two years because of large increases in Chapter 70 Education aid through the state Student Opportunity Act, Arlington has seen its share of state aid increase and prior to the Coronavirus pandemic was on track to achieve near parity with statewide increases in state aid. However, again in FY2023 Arlington's increase is smaller than the overall increase in State Aid and the gap has widened. (See the cumulative year-to-year increases and decreases since FY2002 in the chart on p. 42).

STATE AID SUMMARY	FY2020 Actual	FY2021 Actual	FY2022 Budget	FY2022 Budget	Budget Change
Gen Government Aid	8,262,731	8,290,444	8,501,973	8,710,928	208,955
School Aid	14,033,632	14,623,497	14,840,823	16,016,975	1,176,152
School Construction	476,523	476,523	-	-	0
Tax Exemptions	125,356	148,709	114,525	110,900	(3,625)
Cherry Sheet Offsets	59,468	71,523	75,100	85,001	9,901
Total	22,957,710	23,610,696	23,532,421	24,923,804	1,391,383



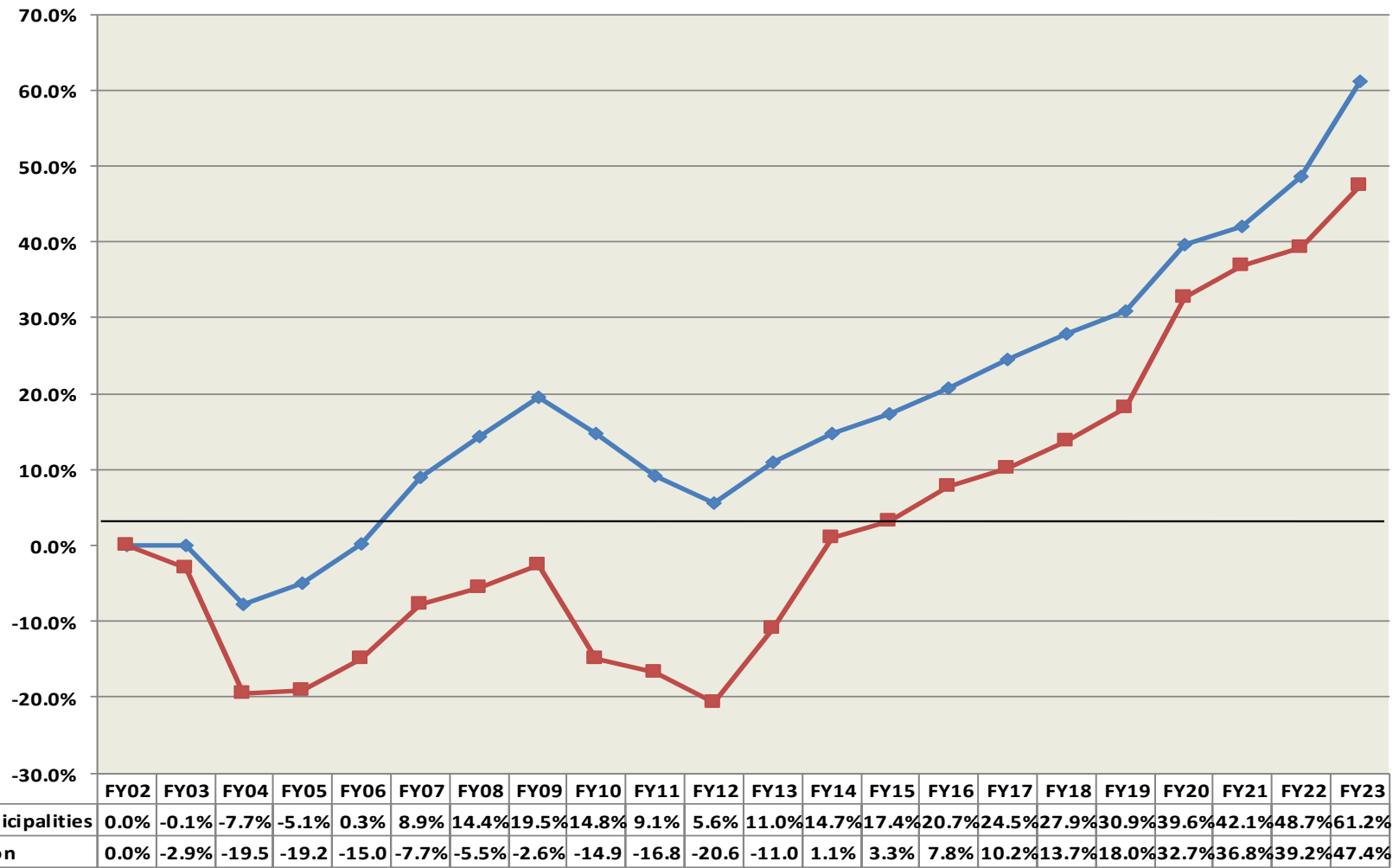
Arlington's Percent of Total State Aid





State Aid Cumulative Year-to-Year Percent Change Since Fiscal Year 2002

(Numbers Exclude School Construction and METCO Reimbursements)



**GENERAL GOVERNMENT*****Unrestricted General Government Aid (UGGA)***

In FY2023 UGGA is expected to increase \$225,126 or 2.7% to \$8,563,143. This aligns with the increase of 2.7% forecasted for State revenue by the Consensus Revenue Figure agreed upon by the Governor and the Legislature.

As historical background, in FY2010, the Additional Assistance category was combined with Lottery Aid under a new category called Unrestricted General Government Aid. Between these two aid categories, Arlington received in excess of \$9.4 million in FY2008. While this account is increasing in FY2023, the Town has experienced a reduction in this aid of approximately \$963,000 since FY2008.

Veterans' Benefits

Chapter 115, Section 6, calls for the reimbursement to cities and towns of the costs of providing assistance to veterans and their dependents. Benefits paid out in accordance with state guidelines are eligible for 75% reimbursement. For FY2023 the assumed Cherry Sheet estimate is \$147,785, a decrease from the previous year, which reflects a stable population of veterans filing benefits claims and consistent efforts by the Town's Veterans' Service Agent to secure VA and other federal benefits for eligible veterans.

GENERAL GOVERNMENT	FY2020 Actual	FY2021 Actual	FY2022 Budget	FY2023 Budget	Budget Change
Unrestricted General Government Aid	8,056,055	8,056,055	8,338,017	8,563,143	225,126
Veterans' Benefits	206,676	234,389	163,956	147,785	(16,171)
Total	8,262,731	8,290,444	8,501,973	8,710,928	208,955

**SCHOOL AID*****School Aid– Chapter 70***

The State's total statewide education funding in FY2023, exclusive of regional schools, is \$5.2 billion, an increase of \$436 million, or 9%. Of this amount, Arlington is to receive \$15,893,365, an increase of \$1,152,257 or 7.8%.

The Chapter 70 distribution formula calculates a Foundation Budget, the estimated cost to educate all students in each school district across the state, and funds a percentage of that budget, depending upon a number of factors, including community income levels, property wealth, and municipal contributions to the school budget. For those communities determined to be relatively wealthy, such as Arlington, the State will fund a maximum 17.5% of the school district's foundation budget. Communities that are less affluent receive significantly more than the 17.5% minimum. The Foundation Aid formula contained in the 2019 Student Opportunity Act better accounts for the School Department's rising enrollment and costs (such as providing health insurance to teachers and staff and educating English Language Learners, economically disadvantaged students, and students receiving special education services). Arlington benefited from this change FY2020 and FY2021. The FY2022 Governor's budget accounts for the increase in student enrollment in Arlington as measured in October 2021 over October 2022.

Charter School Tuition Assessment Reimbursement

General Laws Chapter 71, Section 89 (nn) mandates that the State assess a municipality or regional school district for the costs associated with pupils attending a Charter School district and reimburse sending districts for the tuition they pay to Commonwealth charter schools. Municipalities and school districts are reimbursed for this assessment based on a funding schedule that is supposed to follow a pattern of in year one, an amount equal to 100% of the assessment; in years two through six, an amount equal to 25% of the assessment, after year six, no reimbursement. This reimbursement is subject to appropriation. If the account is not fully-funded, then the reimbursement is pro-rated. The Student Opportunity Act increased funding for Charter School Tuition Reimbursements, with a goal of reaching full funding over three years, starting in FY2021. Based on the revised assumption, in FY2023 the Town will receive \$123,610, an increase of \$23,895.

SCHOOL AID	FY2020 Actual	FY2021 Actual	FY2022 Budget	FY2023 Budget	Budget Change
Chapter 70 School Aid	13,979,327	14,566,028	14,741,108	15,893,365	1,152,257
Charter School Tuition Reimbursement	54,305	57,469	99,715	123,610	23,895
Total	14,033,632	14,623,497	14,840,823	16,016,975	1,176,152

**SCHOOL CONSTRUCTION AID**

The school construction aid the Town currently receives is for projects completed under an old State school building assistance program, the SBA program under which cities and towns borrowed the full amount of debt for a school building project and the state reimbursed the cities and towns for its share of the project. In 2004, the Governor signed Chapter 210 of the Act of 2004, which made substantial changes to the School Building Assistance (SBA) Program. This legislation (Ch. 208) transferred responsibility for the School Building Assistance Program from the Department of Education to the Massachusetts School Building Authority (MSBA), operating under the Office of the State Treasurer. The authority is a new and independent governing body comprised of seven members. The reform legislation dedicates one cent of the state sales tax to the new off-budget school building trust. This is projected to be \$858 million in 2019. Funding is no longer subject to an annual appropriation from the Legislature and approval of the Governor, allowing MSBA to prepay its share of project expenses. This streamlined process saves local communities millions in avoided interest costs and provides greater cash flow.

The Peirce School project was the last school project to receive reimbursement under the old SBA process. For FY22 the reimbursement was \$476,523. The last construction aid payments for the Peirce School occurred in FY2021, the same year of the last Arlington bond payment for the construction project. There will be not more of these reimbursements in the future.

SCHOOL AID	FY2020 Actual	FY2021 Actual	FY2022 Budget	FY2023 Budget	Budget Change
School Construction Aid	476,523	476,523	0	0	-

**TAX EXEMPTION AID**

There are several categories of property tax exemptions for which the State provides a partial reimbursement to municipalities. For FY2023, Arlington's reimbursements are expected to decrease \$3,625 to a total of \$110,900. Veterans, blind persons, surviving spouses, and elderly who meet exemption requirements are eligible. Elderly persons (at least 65 years of age) who meet certain whole estate or total assets, annual income, and residency requirements, are eligible for an exemption. The number of exemptions granted is multiplied by the statutory reimbursement of \$500, subject to appropriation. However, if a municipality has adopted Clause 41B or 41C (Arlington has adopted this section which increases exemption amount to \$1,300), the number of exemptions for which it is reimbursed cannot exceed the number reimbursed in the most recent year under Clause 41. In addition, municipalities that have adopted Clause 41B or 41C will be reimbursed for additional costs incurred in determining eligibility of applicants under these clauses in an amount not to exceed two dollars per exemption granted. For property tax exemptions granted to qualifying veterans, blind persons, surviving spouses, and elderly persons, the exemption and reimbursement amounts are as follows:

- Surviving spouses, minor children, elderly persons:
 - Clause 17 - \$175, full reimbursement
 - Clauses 17C, 17C^{1/2}, 17D - \$227.50, reimbursement cannot exceed the amount reimbursed on Clause 17.
- Veterans:
 - Clause 22(a-f) - \$520 exempted, \$225 reimbursed
- Paraplegic veterans, surviving spouses:
 - Full amount, 100% minus \$175 reimbursed (§8A)
- Veterans, loss of one arm, foot, or eye:
 - Clause 22A - \$975 exempted, \$575 reimbursed
- Veterans, loss of two arms, two feet, one arm and one leg, or loss of sight:
 - Clause 22B - \$1,625 exempted, \$1,075 reimbursed
- Veterans, special adapted housing:
 - Clause 22C - \$1,950 exempted, \$1,325 reimbursed
- Veterans, surviving spouses of service members who died in combat zone or who are missing in action and presumed dead due to combat:
 - Clause 22D - 100% exempted- 1st five years of exemption, \$2,500 thereafter
- Veterans, 100 percent disability:
 - Clause 22E - \$1,300 exempted, \$825 reimbursed
- Blind persons:
 - Clause 37A - \$650 exempted, \$87.50 reimbursed

TAX EXEMPTION AID	FY2020 Actual	FY2021 Actual	FY2022 Budget	FY2023 Budget	Budget Change
Tax Exemption Aid	125,356	148,709	114,525	110,900	(3,625)

**CHERRY SHEET OFFSETS**

Included in the estimated amount of aid to be received from the State are grant funds for libraries. These grants are reserved for direct expenditure by the departments and cannot be counted as general available revenues. Consequently, as part of the tax rate preparation process, whatever amount is included within the State Aid estimate is also included in the non-appropriated expense section as offsetting debits.

The Town has traditionally received two such annual grants — one for the school lunch and one for public libraries. In FY2016, the State started to account for the school lunch program differently and it is no longer be reflected on the Cherry Sheet.

The library grant is actually three separate grants — the Library Incentive Grant (LIG), Municipal Equalization Grant (MEG) and the Nonresident Circulation Offset (NRC). In FY2023, assistance to libraries is expected to increase to \$85,001. The three funding formulas to determine amounts for each municipality are as follows:

1. The Library Incentive Grant (LIG) is distributed to municipalities as follows:
 - a. Population under 2,500: an amount equal to the amount appropriated for free public library service in the preceding year; distribution not to exceed \$1,250.
 - b. Population of 2,500 or over: up to \$.50 per capita, provided that at least \$1,250 was appropriated for public library service in the preceding year.
2. The Municipal Equalization Grant (MEG) distributes the balance in the LIG/MEG account according to the lottery formula so that municipalities with lower property values receive proportionately more aid than those with greater property values.
3. The Nonresident Circulation Offset (NRC) is distributed annually by the Board of Library Commissioners, based upon each community's share of the total Statewide-circulated items.

The Board of Library Commissioners measures compliance with all requirements before voting to certify or deny applicants for grant payments. To qualify for funding, certain requirements must be met and the municipal Library Director must submit an application to the Board of Library Commissioners each year. Requirements include:

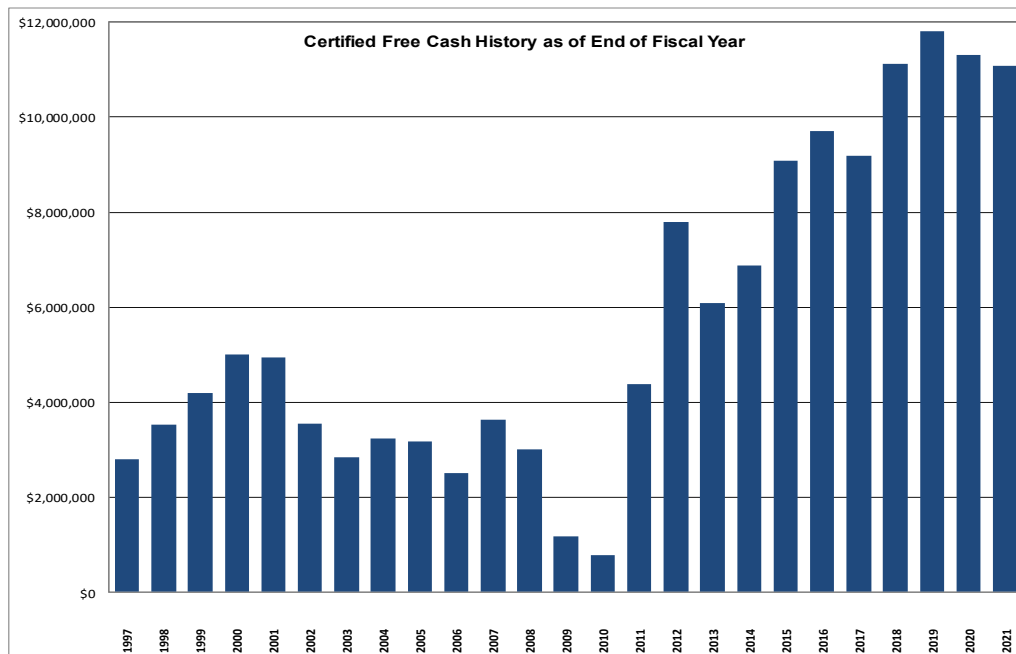
- The city or town's appropriation to operate the public libraries must be equal to or greater than 102.5% of the average of the 3 preceding years' appropriations for free public library service. The Board of Library Commissioners may grant waivers of this requirement to a limited number of municipalities.
- The library must have complied with the minimum standards for free public library service in the preceding year. There are minimum standards in such areas as library director's education, number of hours open, and expenditures for library materials. The library must submit annual report data as specified by the Board of Library Commissioners.

CHERRY SHEET OFFSETS	FY2020 Actual	FY2021 Budget	FY2022 Budget	FY2023 Budget	Budget Change
Libraries	59,468	71,523	75,100	85,001	9,901
Total	59,468	71,523	75,100	85,001	9,901

**FREE CASH**

Free Cash, which is certified as of July 1 each year by the Commonwealth's Department of Revenue (DOR), represents the portion of General Fund surplus revenue that is unrestricted and available for appropriation. These funds, once certified, may be used to support supplemental appropriations during the year: to support the ensuing fiscal year's budget, to reduce the tax levy, or to serve as emergency reserves. Free Cash is generated when the actual operating results compare favorably with the budget, such as when actual revenues exceed the original estimates and/ or when actual expenditures are less than amounts that were appropriated. It is also affected by increases or decreases in uncollected property taxes, deficits in non- General Fund funds, and any other legally incurred operating deficits, such as snow removal overdrafts.

The Town's free cash balance as of June 30, 2021 was \$11,078,429. In accordance with Town policy, Arlington can appropriate up to 50% of the free cash balance towards the next fiscal year's budget. It is recommended that \$5,539,215 or 50% of the existing balance, be appropriated toward the FY2023 budget.



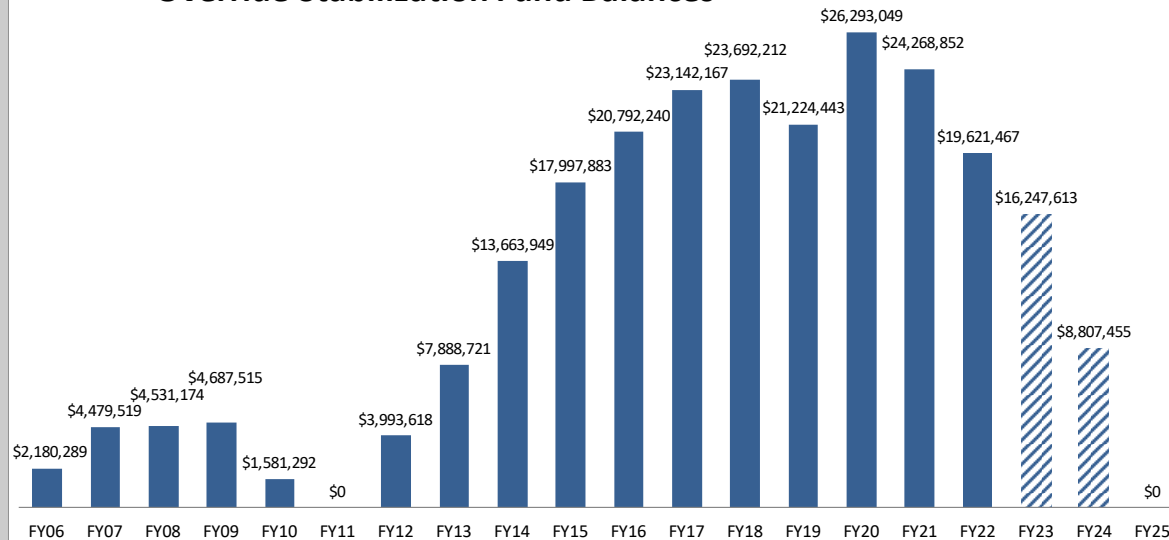
FREE CASH	FY2020 Actual	FY2021 Actual	FY2022 Budget	FY2023 Budget	Budget Change
Free Cash Appropriated	5,559,782	5,901,388	5,659,184	5,539,215	(119,970)

**OTHER REVENUE****Overlay Surplus**

The Tax Abatement Overlay Reserve Surplus comes from funds set aside each year for property tax abatements and exemptions. Any funds remaining in the accounts that are no longer needed are declared surplus by the Board of Assessors and are made available for appropriation. For FY2022, the Board of Assessors has declared \$400,000 as surplus for operating costs, the same as the previous year.

Override Stabilization Fund

The Override Stabilization Fund was created as a result of the 2005 Proposition 2½ Override. The five-year Long Range Plan developed at that time projected that the first two years would have surplus funds to be put in an Override Stabilization Fund, the third year there would be no surplus, and the last two years the surplus funds would be drawn down to balance the budget. As a result of tight budget controls, there was no need to make any drawdown from the fund until the fifth year, FY2010, when \$2,742,376 was withdrawn. The remaining balance in the fund, of \$1,580,000, was appropriated in FY2011, the sixth year. Since the Override of 2011, \$23,692,212 was put into the Fund, until FY2019, when money was again withdrawn prior to the June 2019 Override. The FY2023 takes \$3,137,109 from the fund. The Fund is projected to last until FY2024.

Override Stabilization Fund Balances

OTHER REVENUE	FY2020 Actual	FY2021 Budget	FY2022 Budget	FY2023 Budget	Budget Change
Overlay Surplus	2,700,000	400,000	400,000	400,000	-
Override Stabilization Fund	0	2,024,197	6,248,581	3,373,854	(2,874,727)
Total	2,700,000	2,424,197	6,648,581	3,773,854	(2,874,727)



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